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SUBJECT: World Bank Migrant Skills and Employment
Project Seeks USDOL Participation

Ref: Beijing 6522

Sensitive But Unclassified; Handle Accordingly

11. (SBU) Summary and Action Request: Yu Xiaoqing, Lead Social Protection Specialist and Team Leader for a World Bank Migrant Skills and Employment Project requested by the Chinese Government, asks whether USDOL would be able to participate in the World Bank team designing the project, perhaps through the mechanism of one of the bilateral Letters of Understanding. Ms. Yu told Laboff that the Ministry of Labor and Social Security is quite open about the scope of the worker rights component of the project, suggesting that issues such as improving labor inspection, increasing the use of labor contracts, enforcing the minimum wage, and developing social insurance programs for migrants could be addressed. The program will ot/not focus on collective bargaining or freedom of association, Ms. Yu emphasized. Full text of the World Bank paper on the project is included at paragraph 9. Post requests DOL reply as to whether participation, through whatever mechanism, will be feasible. End Summary and Action Request.

12. (U) Yu Xiaoqing, Lead Social Protection Specialist, told Laboff and Labor Intern June 5 that the Ministry of Labor and Social Security (MOLSS) has asked the World Bank to conduct a Migrant Skills and Employment Project for which she will be team leader. Earlier this year, the State Council established the Secretariat for Migrant Issues within the Ministry of Labor signaling that MOLSS has the major cross-ministerial coordination role on this issue.

Broad Scope for Worker Rights Component

13. (U) The World Bank has suggested that the project focus on four areas: human resource development, employment services, worker rights protection, and policy and institutional capacity building. MOLSS has been quite open about the possibilities for the worker rights component of the project, Ms. Yu said. The Central Government is already paying a great deal of attention to such problems as ensuring that migrant workers are paid on time and that injured workers receive compensation. As a result, MOLSS mentioned a number of problems the project could be used to address:

-- Improve Labor Inspection: MOLSS is interested in improving labor inspection to enforce basic rules, she said. (Note: See Ref, which reported that as recently as April 2006, the Beijing ILO Director indicated that inspection was not a topic on which the Chinese would allow engagement. End Note.)

-- Increase Use of Labor Contracts: Although employers are required to sign a labor contract with migrant workers they employ, the majority of such workers do not have a labor contract. MOLSS is very interested in improving this situation.

-- Enforce the Minimum Wage: MOLSS believes that the minimum wage is being implemented for urban workers, but that it is largely ignored for migrant workers. Overall, minimum wages are thought to be

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well below where they should be, resulting in the exploitation of workers.

-- Develop Social Insurance for Migrants: MOLSS is interested in further developing the system of social insurance for migrants. Work injury insurance has been the easiest element to put in place because it requires that employers, not employees, pay into the system. The second element of the new system is the pension system. Earlier this year, the State Council issued a framework document for development of a rural social security system, but many problems must be resolved. As one example, the urban requirement that workers participate in the system for 15 years before the pension vests is not suitable for migrants who move around.

Collective Rights Will Not Be Project Focus

14. (U) Recognizing that her own expertise is in economics, not in labor, Ms. Yu has been consulting with the International Labor Organization's Beijing Office, which has emphasized the need to improve enforcement of China's abundance of existing labor laws and regulations. Ms. Yu said that she thinks the environment is right for making such improvements; the government is very receptive, in her opinion. However, she stressed, the focus of the project will be on the implementation of individual rights, not on collective bargaining or on freedom of association.

World Bank to Commission Background Papers

15. (U) The World Bank will commission an early analysis by expert panels of each of the problem areas set out by MOLSS. Following those assessments, and the background papers that result

from them, the World Bank will discuss with the government the scope of each area. Although the World Bank usually works through the Ministry of Finance with the finance and planning divisions of ministries, this time it will work directly with the MOLSS International Division, in the same manner as does the U.S. Department of Labor's Labor Rule of Law Project.

World Bank Seeks U.S. DOL Participation

¶6. (U) Ms. Yu asked Laboff to try to determine whether the U.S. Department of Labor would be able to participate in the project. She asked specifically whether USDOL through the bilateral LOUs would be able to participate as part of the World Bank team responsible for designing and advising on the execution of the project. Ms. Yu is also seeking cofinancing or financing for elements of technical assistance and monitoring for the project, but recognizes the limitations on USG projects in China.

Work Safety Technical Assistance Project

¶7. (U) The World Bank currently has a technical assistance project on work safety, totaling USD300-400,000, underway with MOLSS. The World Bank will

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work with MOLSS on the insurance aspects while the ILO will work on the safety aspects of the project.

¶8. (SBU) Comment: The request for U.S. Department of Labor participation is recognition of DOL's past contributions to China's labor law reforms through the Labor Rule of Law Project and bilateral Letters of Understanding. Embassy requests earliest possible reply to the inquiry.

¶9. (U) The full text of the project description document provided by Ms. Yu follows:

(Begin text of World Bank document)

World Bank Migrant Skills and Employment Project Background and Preliminary Ideas

At the request of the Chinese government, a "Migrant Skills and Employment Project" has been included in the World Bank's lending program. In 2005, the Bank initiated some preliminary assessment of the main issues and potential areas of focus. With the support of the Bank's leading counterparts ? the Ministry of Finance and the National Development and Reform Commission ? the Bank team held the first round of consultation with key government agencies that are directly involved in migrant related policy and programs . The key agencies include the Ministry of Agriculture, Ministry of Education, Ministry of Labor and Social Security, Ministry of Construction, and the State Council Leading Group on Poverty Reduction
The Bank also visited selected provinces to obtain first-hand experience and observations of situation on the ground.

Based on the mission and analytical work that the Bank has been engaged in regarding migration, the Bank provided the government with some preliminary thoughts on the principles and objectives of the proposed operation.

Project objective. The project will support the

transition of rural migrants to urban areas to increase their access to better employment opportunities, and to improve their incomes and working conditions by enhancing educational attainment, improving access to quality training and employment services, and strengthening worker protection.

Principles. The Bank team thinks that the development of the project would need to follow some key principles, including: (a) to promote an integrated rural and urban labor market; (b) to foster market development while correcting market failures; (c) to improve the effective use of public resources; (d) to improve poverty focus of government interventions and strengthen incentives for private providers to serve this clientele; (e) to promote evidence-based policy development.

Potential focus. The Bank team considers that it would be desirable that the project focuses on tackling issues in a few critical areas affecting migration outcomes and the well being of the people concerned. This can include human resource development (such as intervention that would help to enhance education attainment of young adults in rural China and to provide access to market-led good

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quality training), employment services (such as strengthening the government programs and encouraging private provision of a whole range of employment services), workers right protection (to assist the government in the implementation of workers' protection policy and to empower migrant workers with knowledge about their rights, and policy and institutional capacity building (which can support government reform of key social and economic policies that influence migration decisions and outcomes, and to develop general monitoring and evaluation capacity).

End text of World Bank document.

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